

25th August 1926]

the pay and special pay admissible to Inspectors of the Intelligence branch and will draw, in addition, house-rent of Rs. 40 per mensem in lieu of free quarters and hill allowance of Rs. 100 per mensem for the six months of the Inspector's stay at Ootacamund with His Excellency the Governor. The expenditure during the current year can be met by reappropriation within the appropriation under 26. POLICE.

Extra cost.

	1926-27. • Ultimate cost.	
	RS.	RS.
Recurring	1,417½	5,113½

Recommendation of the Committee.—The proposal was accepted by the Committee, the extra expenditure in the current year being met by reappropriation.

FORT ST. GEORGE,
17th July 1926.

T. E. MOIR.

APPENDIX IX.

[Vide item III b 'Communications to the Council' on page 34 supra.]

G.O. No. 866, Development, dated 14th June 1926.

READ—the following papers :—

I

Letter from E. F. THOMAS, Esq., C.I.E., I.C.S., Director of Industries, to the Secretary to Government, Development Department (through the Accountant-General, Madras), dated the 15th March 1926, No. 28-E.

I have the honour to forward herewith the balance sheet with the other relative accounts of the Kerala Soap Institute, Calicut, for the quarter ending the 31st December 1925 received from Messrs. Fraser & Ross with their letter, dated the 4th March 1926 (copy enclosed), from which it will be observed that the Institute has earned a net profit of Rs. 7,041-6-3 during the quarter under reference. My remarks on the accounts will be submitted to Government separately.

ENCLOSURE

Letter from Messrs. FRASER & ROSS, Chartered Accountants and Auditors, to the Director of Industries, dated 4th March 1926.

• • • [The Kerala Soap Institute, Calicut.]

We have the honour to hand you herewith in duplicate the balance sheet of the above as at 31st December 1925 duly certified together with the relative manufacturing, trading and profit and loss accounts for the quarter ending that date, receipt of which please acknowledge. Please forward one copy of the accounts to the Secretary to Government, Development Department.

[25th August 1926]

2. *Doubtful debts.*—We wish to draw your attention to the following book debts considered doubtful:—

	RS.	A.	P.	RS.	A.	P.
A. S. R. Murthi & Sons	..	..	..	2,053	11	0
Ananthanarayana Bros.	..	..	..	1,029	13	0
S. N. V. Iyer	..	..	..	40	6	0
K. S. K. Iyer	..	..	..	25	9	1
M. Swamy & Sons	..	..	..	191	8	0
N. Gulam Moideen	..	..	..	68	14	0
A. Kasipathi	..	..	..	5,892	10	2
Less deposit	..	..	..	2,000	0	0
C. Erasa Menon	..	..	..	1,733	8	3
Legal expenses	..	..	..	1,115	7	0
				10,151	6	6

We are of opinion that they should be reserved for in the final accounts for the year ending 31st March 1926 with the exception of the amount due by E. Erasa Menon who is regularly paying the instalments due on the compromise decree with him.

The Superintendent of the Institute contends that the above book debts relate to the period before the concern was commercialized and should be adjusted against the accumulated profits and not charged against the profit and loss account for the current year.

We invite your attention to paragraph 8 (ix) of our audit report for the year ending 31st March 1925.

In paragraph 11—Accumulated profits—of our report, dated 31st March 1924, we suggested that “from the balance if any of the accumulated profits transfer should be made to reserve for bad and doubtful debts of a sum sufficient to raise the reserve to 5 per cent of the book debts to meet unforeseen contingencies.” Government in paragraph 8 of Order No. 2001, Development, dated 21st November 1924, say that this point does not arise in view of the order in paragraph (2) of the same order under which the assets will be valued at their present value only. It is impossible to value book debts as on any particular date.

Under ordinary circumstances we would not agree to the contention that debts relating to prior periods should not be adjusted to the profit and loss account of the year in which they proved to be bad or doubtful; but since these debts are of the period before the Institute was commercialized and the revaluation of the assets was made to avoid overcapitalization and a private purchaser of a concern would not take over the book debts at their face value, however good they may be, we are inclined to endorse the view of the Superintendent.

We therefore suggest that you address the Government in the matter and have the decision of the Government regarding the same before the final accounts for the year ending 31st March 1926 are prepared.

3. We are not submitting a separate report to Government on these accounts.

SUB-ENCLOSURES

THE KERALA SOAP INSTITUTE, CALICUT.

(i)

Balance Sheet as at 31st December 1925.

CAPITAL AND LIABILITIES.

	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
Capital—									
Government of Madras—									
As per balance sheet	..	3,01,873	1 1						
as at 31st March									
1925.									
Working capital	..	50,000	0 0						
				3,51,873	1 1				
Reserve for bad and doubtful debts.	..			1,322	3 0				
Liabilities—									
For goods supplied	..	5,113	2 7						
For expenses	..	5,479	13 2						
For customers' credit balances.	..	225	13 9						
For moiety of director's salary, etc.	..	1,233	14 0						
For audit fee	..	715	8 0						
For contribution for leave and pension allowance.	..	1,125	0 0						
				13,893	3 6				
Security deposits invested per contra—									
Storekeeper	..	1,000	0 0						
Late traveller, Kasi-pathi.	..	2,000	0 0						
Firewood contractor	..	200	0 0						
				3,200	0 0				
Profit and loss account—									
Balance as per balance sheet as at 31st March 1925.	..	23,164	2 9						
Carried over ..		3,70,288	7 7						

PROPERTY AND ASSETS.

	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
Fixed capital expenditure—									
Government land for the Institute—									
As per balance sheet as at 31st March 1925.	..						25,656	0 0	
Buildings—									
As per balance sheet as at 31st March 1925.	..						94,570	14 6	
Less Depreciation—									
Up to 31st September 1925.		5,166	14 6						
For the quarter..		806	0 0						
							5,972	14 6	
							88,598	0 0	
Plant and machinery—									
As per balance sheet as at 31st March 1925.	..	36,086	6 6						
Add Additions up to 30th September 1925.									
		561	13 4						
							36,648	3 10	
Less Depreciation—									
Up to 30th September 1925.		5,243	3 10						
For the quarter..		904	0 0						
							6,147	3 10	
							30,501	0 0	
Furniture and fittings—									
As per balance sheet as at 31st March 1925.	..						2,680	0 0	
Carried over ..							1,44,755	0 0	

25th August 1926]

APPENDIX

127

Balance Sheet as at 31st December 1925—*cont.*CAPITAL AND LIABILITIES—*cont.*

	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
				Brought forward ..	3,70,288	7	7		
Add—Profits for the second quarter.	1,757	0	3						
Profits for the third quarter.	7,041	6	3						
	8,798	6	6						
Less—Loss for the first quarter.	3,284	11	1						
				5,513	11	5			
				28,677	14	2			

PROPERTY AND ASSETS—*cont.*

	RS.	A.	P.	RS.	A.	P.	RS.	A.	P.
				Brought forward ..	1,44,755	0	0		
Less Depreciation—									
Up to 30th September 1925.	402	0	0						
For the quarter..	67	0	0						
				469	0	0			
							2,211	0	0
							1,46,966	0	0
Roads, less depreciation ..							1,705	0	0
Laboratory apparatus, less depreciation.							4,696	0	0
Library books as per valuation.							100	0	0
Loose tools, at valuation ..							317	0	0
Stores and raw materials—									
Soda ash at Rs. 5 per cwt.				7,992	14	2			
Perfumes, essential oils and colours.				2,921	11	1			
Other raw materials ..				39,287	7	5			
Packing materials, fire-wood, etc.				9,704	6	7			
							59,906	7	3
Soap basis—									
Vegetol ..				215	1	5			
Washwell ..				14,934	7	9			
Toilet ..				964	7	2			
Yellow bar ..				3,513	2	0			
Shaving ..				25	11	10			
Experimental bar ..				919	3	10			
Textile ..				768	3	6			
Soft soap ..				46	1	2			
Glycerine ..				643	15	0			
							22,030	5	8

[25th August 1926]

25th August 1926]

APPENDIX

Stock in trade—				
Vegetol	673	15	1	
Washwell	3,835	0	5	
Toilet	727	4	4	
Yellow bar	61	7	0	
Shaving soap	27	8	4	
Deepa brand	0	8	0	
Experimental bar	233	7	10	
Soft soap	3,806	11	11	
Fish oil rosin	149	7	9	
Cheap bar	0	10	8	
Back debts—				9,516 1 4
Considered good	88,879	5	11	
Considered doubtful	10,151	6	6	
Deposits and advances—				99,030 12 5
Fixed deposit receipts held as security deposits of employees, etc., as per contra—				
With the Imperial Bank of India ..	2,200	0	0	
With the Nedungadi Bank, Limited ..	1,000	0	0	
Advance for advertisement ..	3,200	0	0	
Fire insurance prepaid ..	4	0	0	
Advance to workmen ..	246	11	9	
Cash and other balances—	53	10	0	
Personal ledger account No. 1				3,504 5 5
Personal ledger account No. 2	9,456	0	9	
Cash and cheques on hand ..	39,380	0	5	
	2,348	4	2	
				51,194 5 4
				3,98,966 5 9
	3,98,966	5	9	

Examined and found correct.

FRASER & ROSS, Chartered Accountants,
Commercial Accountants and Auditors to the Govt. of Madras.

MADRAS,
4th March 1926.

[25th August 1926]

(ii)

Manufacturing Account for the quarter ending 31st December 1925.

	Vegetol soap.	Washwell sap.	Toilet soap.	Yellow bar soap.	Shaving soap.	Experi- mental bar soap.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
To Stock in process of manufacture.	..	16,198 12 5	928 3 4	12,587 2 10	42 8 0	639 6 10
„ Raw materials, scraps of other soaps and firewood.	4,530 1 10	11,349 1 1	1,731 13 8	12,745 13 5	7 6 0	1,709 2 8
„ Wages ..	72 5 2	515 9 2	154 10 7	502 0 11	..	43 10 3
„ Factory overheads ..	572 8 10	1,557 12 5	161 6 2	1,645 6 8	..	257 14 3
Total ..	5,174 15 10	29,621 3 1	2,966 1 9	27,480 7 10	49 14 0	2,650 2 0
By Scraps, etc., used for other soaps.	583 15 3	..	80 0 0	680 0 0	..	..
„ Finished soaps sent to stores.	4,375 15 2	14,686 11 4	1,921 10 7	23,287 5 10	24 2 2	1,730 14 2
„ Stock in process of manufacture.	215 1 5	14,934 7 9	464 7 2	3,513 2 0	25 11 10	919 3 10
Total ..	5,174 15 10	29,621 3 1	2,966 1 9	27,480 7 10	49 14 0	2,650 2 0

	Textile soap.	Fish-oil soft soap.	Fish-oil rosin soap.	Glycerine.	Total.
	(8)	(9)	(10)	(11)	(12)
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
To Stock in process of manufacture.	..	304 0 0	..	2,109 2 0	32,809 3 5
„ Raw materials, scraps of other soaps and firewood.	831 10 10	4,589 8 3	386 12 7	359 10 0	38,241 0 4
„ Wages ..	3 5 0	33 6 9	3 0 3	94 1 6	1,472 1 7
„ Factory overheads ..	87 3 11	1,313 12 11	85 3 10	..	5,671 5 0
Total ..	922 3 9	6,290 11 11	475 0 8	2,562 13 6	78,193 10 4
By Scraps, etc., used for other soaps.	..	..	..	..	1,343 15 3
„ Finished soaps sent to stores.	154 0 3	6,244 10 9	475 0 8	1,918 14 6	54,819 5 5
„ Stock in process of manufacture.	768 3 6	46 1 2	..	643 15 0	22,030 5 8
Total ..	922 3 9	6,290 11 11	475 0 8	2,562 13 6	78,193 10 4

(iii)

Trading Account for the quarter ending 31st December 1925.

(1)	Vegetol soap. (2)	Washwell soap. (3)	Toilet soap: (4)	Yellow bar soap. (5)	Shaving soap. (6)	Deepa brand soap. (7)	Experimental bar soap. (8)
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
To Stock on hand	1,639 0 10	6,643 14 11	494 0 5	26 10 2	24 1 6	0 8 0	472 4 3
„ Cost of soaps received from factory ..	4,375 15 2	14,686 11 4	1,921 10 7	23,287 5 10	24 2 2	..	1,736 14 2
„ Packing charges, etc.	195 15 2	1,115 4 2	1,035 12 4	1,398 11 0	55 15 6	..	106 3 9
„ Perfumes and essential oils .. ..	.. .. .	.. .. .	1,372 2 9	.. .. .	.. .. .	..	.. .. .
„ Gross profit	1,108 9 4	6,373 10 2	1,975 14 1	6,168 7 0	4 12 6	..	583 10 7
Total	7,319 8 6	28,819 8 7	6,799 8 2	30,881 2 0	108 15 8	0 8 0	2,893 0 9
By Sales less returns	5,793 6 6	24,946 13 6	5,804 10 6	30,817 1 8	73 5 2	..	2,657 8 10
„ Free samples	2 5 6	28 0 5	267 9 4	2 9 4	8 2 2	..	2 0 1
„ Soaps issued for reboiling	849 13 5	9 10 3	.. .. .	.. .. .	.. .. .	..	.. .. .
„ Stock on hand	673 15 1	3,835 0 5	727 4 4	61 7 0	27 8 4	0 8 0	233 7 10
Total	7,319 8 6	28,819 8 7	6,799 8 2	30,881 2 0	108 15 8	0 8 0	2,893 0 9

Trading Account for the quarter ending 31st December 1925—cont.

	Textile soap. (9)	Fish-oil soft soap. (10)	Fish-oil rosin soap. (11)	Cheap bar soap. (12)	Glycerine. (13)	Total. (14)
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
To Stock on hand .. .. .	.. .. .	763 11 4	358 11 0	0 10 8	.. .. .	10,423 9 1
„ Cost of soaps received from factory	154 0 3	6,244 10 9	475 0 8	.. .. .	1,918 14 6	54,819 5 5
„ Packing charges, etc.	18 4 0	488 9 9	20 10 1	.. .. .	74 1 7	4,509 7 4
„ Perfumes and essential oils .. .. .	.. .. .	.. .. .	.. .. .	.. .. .	.. .. .	1,372 2 9
„ Gross profit	215 1 9	1,271 1 3	475 12 7	.. .. .	132 11 11	18,309 11 2
Total	387 6 0	8,768 1 1	1,330 2 4	0 10 8	2,125 12 0	89,434 3 9
By Sales less returns	387 2 0	4,827 6 0	1,180 3 5	.. .. .	2,075 1 0	78,562 10 7
„ Free samples	0 4 0	0 6 2	0 7 2	.. .. .	50 11 0	362 7 2
„ Soaps issued for reboiling .. .. .	.. .. .	133 9 0	.. .. .	.. .. .	.. .. .	923 0 8
„ Stock on hand .. .. .	.. .. .	3,806 11 11	149 7 9	0 10 8	.. .. .	9,516 1 4
Total	387 6 0	8,768 1 1	1,330 2 4	0 10 8	2,125 12 0	89,434 3 9

[25th August 1926]

Profit and Loss Account for the quarter ending 31st December 1925.

	RS.	A.	P.	RS.	A.	P.		RS.	A.	P.
To expenses—							By Gross profit from trading account	..	..	18,309 11 2
Establishment charges	2,745	9	1				„ House-rent	..	..	51 6 9
Rates and taxes	13	4	0				„ Sundry sales, etc.	..	..	200 0 1
Advertisement charges	1,262	5	11							
Printing and stationery	130	11	11							
Postage and telegram	118	0	6							
Discount and exchange	0	12	0							
Despatching charges	3,283	11	3							
Sundry office and factory expenses	171	0	7							
Laboratory experimental work ..	36	3	10							
Free sample issues	362	7	2							
Legal expenses	114	4	0							
Travelling allowance	90	1	0							
Trade bonus (reserve)	927	0	9							
Fire insurance	246	11	9							
				9,502	3	9				
To Depreciation—										
On office buildings	89	0	0							
On laboratory apparatus	360	0	0							
On office furniture	67	0	0							
				516	0	0				
To Reserve for expenses credited to Government—										
Director's supervision charges ..	583	0	0							
Audit fee	356	0	0							
Leave and pension contributions ..	562	8	0							
				1,501	8	0				
To Net profit				7,041	6	3				
Total ..				18,561	2	0				
							Total ..	18,561	2	0

N.B.—Interest on capital has not been included in the Profit and Loss Account. Interest on the capital of Rs. 3,51,873 at 6·08 per cent is Rs. 5,348.

25th August 1926]

[25th August 1926]

II

Letter from L. B. GREEN, Esq.; M.B.E., Director of Industries (in charge), to the Secretary to Government, Development Department (through the Accountant-General, Madras), dated Madras, the 3rd April 1926, No. 28-E/26.

In continuation of my letter No. 28-E/26, dated the 15th March 1926, I have the honour to offer the following remarks on the accounts of the Kerala Soap Institute, Calicut, for the quarter ending the 31st December 1925.

2. *Book Debts—Good*.—Of the amount of Rs. 88,879-5-11 shown under “Book Debts—Good”, Rs. 45,154-1-0 represents the value of yellow bar soap and soft soap supplied to the Army Department. This amount is reported by the Superintendent to have been since collected.

Book Debts—Doubtful—Rs. 10,151-6-6.—This amount comprises the following items:—

	RS.	A.	P.	RS.	A.	P.
(1) A. S. R. Moorthy & Sons				2,053	11	0
(2) Ananthanarayana Brothers				1,029	13	0
(3) A. Kasipathi	5,892	10	2			
Less Deposit	2,000	0	0			
				3,892	10	2
(4) C. Erasa Menon				1,733	8	3
(5) Legal expenses				1,115	7	0
(6) S. N. V. Ayyar				40	6	0
(7) K. S. K. Ayyar				25	9	1
(8) M. Sawmi & Sons				191	8	0
(9) N. Gulam Moideen				68	14	0
Total	10,151	6	6			

The position of items (1) to (4) has already been explained in detail in my letter No. 252-E/25, dated the 18th November 1925, in connexion with the audit report for the quarter ending the 30th June 1925. There is no change to report in respect of these items with the exception of item (4). As Mr. Erasa Menon has failed to pay the sixth instalment of the decree amount, a warrant has been issued by the Court for his arrest and that of his surety. There seems to be little prospect of recovering the amounts covered by the other items. The amounts covered by items (6) to (9) have already been written off as reported in my letter to Government No. 383-E/25, dated the 12th February 1926, on the audit report for the quarter ending the 30th September 1925. The amount covered by item (5) (Legal expenses) will be recovered if and when the decreed amounts are recovered. I therefore consider that, as suggested by

25th August 1926]

the Auditors, these debts, which relate to the period before the concern was commercialized, should be adjusted against the accumulated profits instead of being carried over in the accounts from quarter to quarter. Every effort and all necessary steps, however, will be taken to recover the amounts and the realizations as and when effected will be shown in the Profit and Loss Accounts.

3. I request that early orders may be passed on the question of resuming a portion of the accumulated profits to cover the bad and doubtful debts of the Institute as it is necessary to arrive at a decision in the matter before the final accounts for the year ending 31st March 1926 are prepared.

III

*Endorsement of the Accountant-General, Madras, No. H.A.
Comml. 7-1837, dated 17th May 1926.*

Forwarded.

2. The amount chargeable to the concern on account of audit fee (including travelling allowance and out-of-pocket expenses) for the quarter is Rs. 392-7-0 as against Rs. 318-15-0 entered in the Profit and Loss Account (after taking into account Rs. 37-1-0 under-charged in the Profit and Loss Account of the previous quarter). The Commercial Auditors have been asked to adjust the difference in the accounts of the next quarter.

3. The balance of Rs. 53-10-0 under 'Advances to workmen' represents the amount remaining to be recovered in respect of advances made last July on the occasion of a local festival. The proposals of the Director of Industries for the regularization of such advances have been forwarded separately with my comments—vide my endorsement No. H.A. Comml. 7-1836, dated 17th May 1926.

4. The doubtful debts amounting to nearly Rs. 10,000 which it is now proposed to adjust to Government capital account, were considered to be quite good at the time of the full commercialization of the Institute, and were first classified as doubtful only in last June. The policy of the Madras Government in respect of book debts of their commercial concerns, has been to debit the Profit and Loss Account by credit to bad debt reserve account of the concern in full for such debts as and when they are found to be bad or doubtful, and not to create a general reserve at a percentage on the total of the book debts. Apparently for this reason, they did not agree to the proposal of the Auditors, in the last sentence of paragraph 11 of their report on page 4 of G.O. No. 2001, Development, dated 21st November 1924, to form an additional reserve provision of about Rs. 1,750 to meet the possibility of any of the

[25th August 1926]

debts then considered good, proving later on to be doubtful. In the circumstances, there does not appear to be any reason for transferring the much larger amount of nearly Rs. 10,000 to a bad debt reserve by reduction of the Government capital account. The proper procedure would be to debit the Profit and Loss Account of 1925-26. (when the debts were first considered doubtful) with the amount of debts either finally written off or reserved for in the course of that year.

R. L. McKERNAN,
Accountant-General.

To the Secretary to Government, Development Department.

Order—No. 866, Development, dated 14th June 1926.

Recorded.

2. Paragraph 2 of the Auditor's letter, paragraph 2 of the Directors' letter, dated 3rd April 1926, and paragraph 4 of the Accountant-General's endorsement.—The Government agree with the Accountant-General that there is no reason for transferring the doubtful debts to a bad debt reserve by reduction of the Government capital account. The amount of debts, written off or reserved for during the year 1925-26, should be debited to the Profit and Loss account of the year.

(By order of the Government, Ministry of Development)

V. PANDRANG ROW,
Secretary to Government.

To the Director of Industries.
" the Accountant-General (through Finance Department).
" Messrs. Fraser & Ross.
" the Finance Department.
" the Auditor-General (with C.L.).
" the Secretary, Legislative Council.